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CENTRAL INTELLIGENCE BULLETIN



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DAILY BRIEF

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II. ASIA-AFRICA

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Iraq: The Iraqi Communist party will probably attempt to use the Communist-front Iraqi Democratic Youth festival, now under way in Baghdad, for a new demonstration of the Communist "power of the street." The official Communist newspaper has given careful instructions for a huge parade on 12 June which could develop into riots with anti-Communist groups and stimulate such actions as wrecking the presses of the National Democratic party's newspaper. Clashes between Communist and anti-Communist elements have been reported in several parts of Iraq; the most recent reportedly resulted in the arrest of several Communist leaders.

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*Meanwhile, the Qasim regime has announced that it will permit the return to their homes of a number of political "exiles."

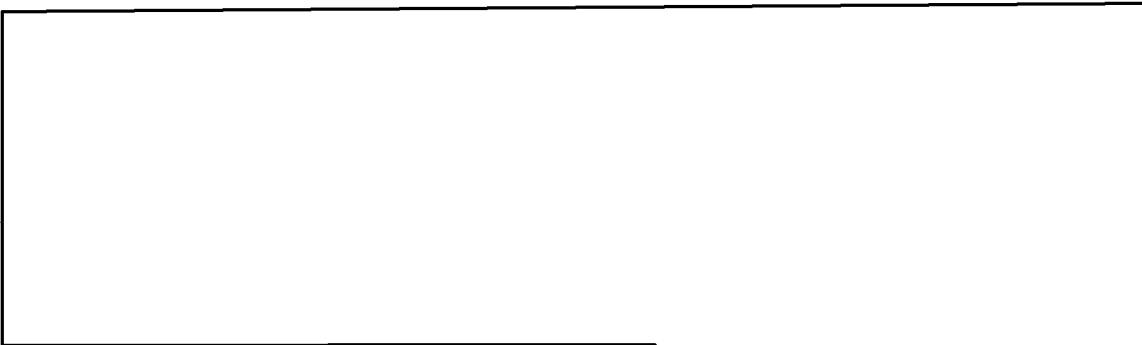


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OK

Japan-Korea: South Korea has broken trade relations with Japan, and a complete break in diplomatic relations may follow if the reported agreement to repatriate to North Korea those Koreans in Japan who desire to go there is consummated. The formal agreement which has yet to be drafted must be approved by the International Committee for the Red Cross as well as Tokyo and Pyongyang. Popular and official feeling is running high in South Korea, and President Rhee would welcome a strong anti-Japanese campaign as a means of rallying support for his administration. He may resort to additional action, such as seizures of Japanese shipping.

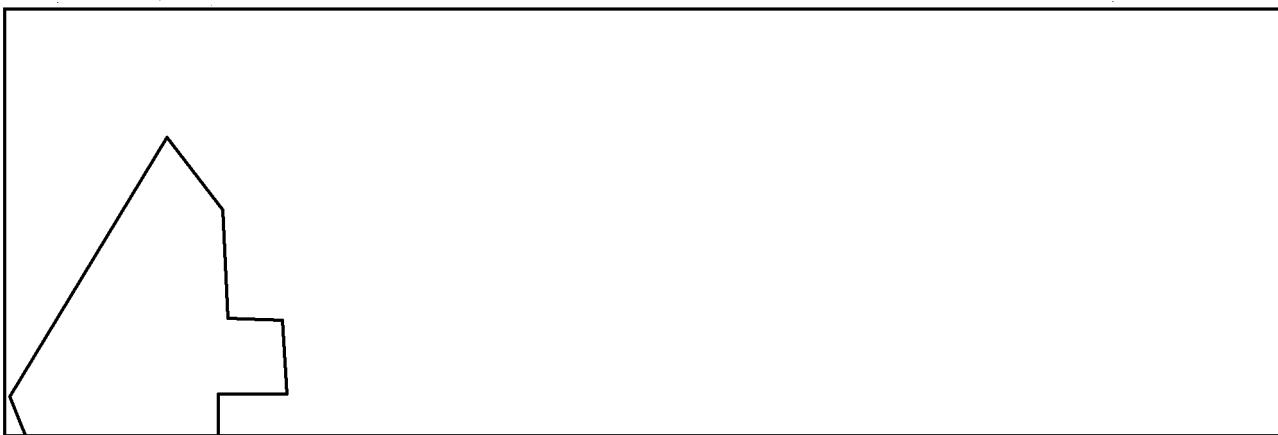
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III. THE WEST

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France: (A further strain on French-US relations may result from the strong effort being made by top French officials)



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(to get the United States to persuade Liberia to prevent, or at least delay, the conference of nine independent African states now scheduled to meet in Monrovia in August to discuss the Algerian problem. Premier Debré's speech on 10 June explicitly tied France's future attitude toward NATO and European unity to support of French policy regarding North Africa. President Tubman emphasized earlier this month that he intends to go ahead with the conference.)

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Brazil: The government, confronted with falling coffee prices and noncommercial debts of \$450,000,000 due this year, faces the prospect of defaulting on international obligations by midsummer. President Kubitschek has broken off loan negotiations with the International Monetary Fund and made a "final" request to the United States for a loan of \$300,000,000, stating that failure to obtain this would "cost the US and Brazil their long friendship." The Brazilian press is claiming that the government--which denies it--is preparing to send an economic mission to the Soviet Union.

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DAILY BRIEF

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II. ASIA-AFRICA

South Korea Breaks Trade Relations With Japan

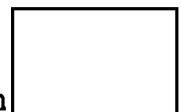
South Korea has announced a complete severance of trade relations with Japan in retaliation against the tentative unofficial agreement reached by Japanese and North Korean Red Cross representatives in Geneva for the voluntary repatriation of Koreans in Japan to North Korea.

The agreement still has to be put formally into writing and must receive approval from the International Committee for the Red Cross (ICRC) as well as Tokyo and Pyongyang. Final agreement probably would lead Seoul to break all relations with Tokyo and to step up action against Japanese fishing vessels and other shipping.

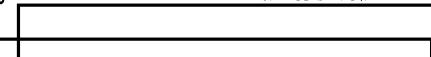
The accord at Geneva appears to have involved at least some concession by Japan regarding the proposed role of the ICRC. Initially Tokyo had demanded direct ICRC supervision of the repatriation. At the request of the North Koreans, however, the Japanese seem to have agreed to limitations on the role of the ICRC. Japanese concessions probably resulted from strong domestic support for the conclusion of an agreement and the government's belief that action on its part to break off the negotiations would not soften South Korea's conditions for normalizing relations.

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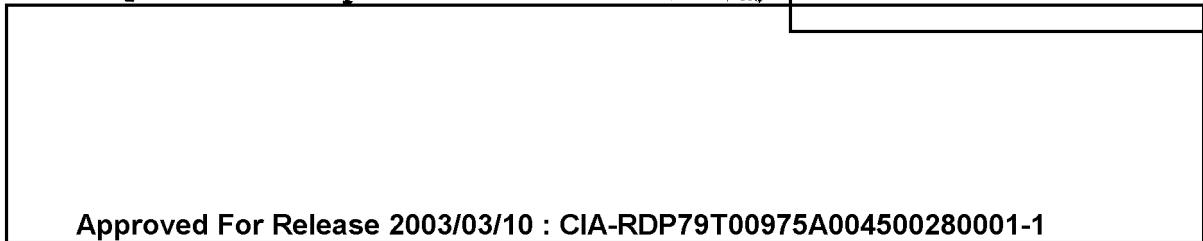
Aggravation of already bad relations between Japan and South Korea was probably a major North Korean motive in seeking the repatriation agreement. (Pyongyang probably hopes also that the United States will be embarrassed by difficulties between two of its principal Asian allies.) Pyongyang can be expected to take full propaganda advantage of an agreement with a free-world country as an indication of increased international status. These advantages will partially offset any damage to North Korea's position should it become apparent that relatively few Korean residents of Japan desire repatriation to North Korea.



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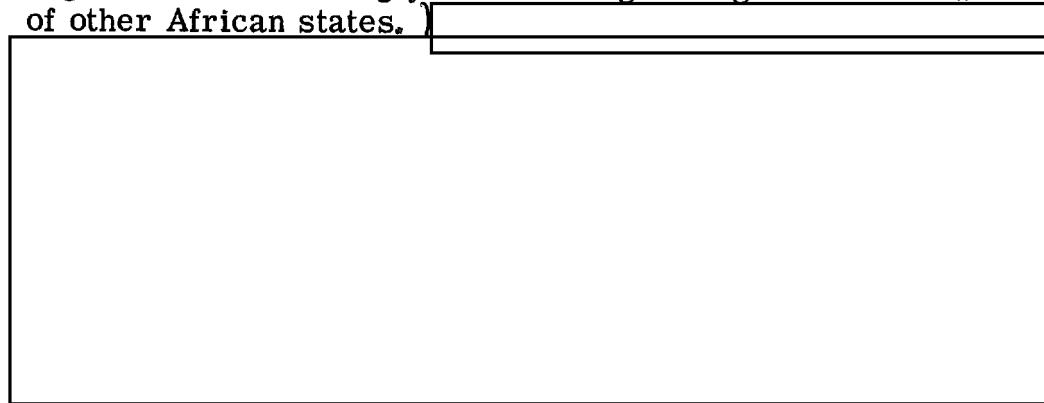
French Seek US Help to Prevent African States Meeting on Algeria

(Paris is exerting strong pressure on the United States to get Liberia to prevent, or at least delay, the conference of nine independent African states scheduled to meet in Monrovia in August to discuss the Algerian problem. According to a Foreign Ministry official, the French Government is deeply concerned that the meeting will add to the international stature of the Algerian rebel provisional government. He said Liberia should understand that recognition of the rebel government would lead to immediate rupture of diplomatic relations.)

(Paris now seems quite optimistic that great strides toward a solution of the Algerian problem have been made, and has declared a "diplomatic war" on those countries it views as responsible for building up the status of the Algerian provisional government. Premier Debré, in his summation of Algerian policy before the National Assembly on 10 June, flatly stated that his government's attitude toward NATO and European unity depended on the support France received for its policy in the Mediterranean. French officials have hinted they believe Liberia is an American "satellite" and would almost certainly hold the United States responsible should the meeting be held on schedule.)

(President Tubman intends to act as a moderating force at the Monrovia conference. Top Liberian officials desire good relations with France--now at an ebb because of boundary problems--but they are unsympathetic to Paris' position on Algeria and increasingly inclined to go along with the views of other African states.)

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Brazil Facing Financial Crisis

(The Brazilian Government, confronted with falling coffee prices and scheduled repayments of \$350,000,000 due this year on past loans, faces the prospect of defaulting on its international obligations by midsummer. President Kubitschek has broken off loan negotiations with the International Monetary Fund and made a "final" request to the United States for an emergency balance-of-payments loan of \$300,000,000, stating that failure to obtain this would "cost the US and Brazil their long friendship." Kubitschek may be willing to consider a re-funding program instead of a loan, but he is almost certain to demand assurances that this will not prejudice further loan talks next year.)

(Kubitschek's break with the IMF on 9 June involved a disagreement over the need for a "complete" exchange reform. Commenting on Argentina's willingness to adopt a similar reform last January, Kubitschek said that the Brazilian Government, without military backing for a state of siege, could not withstand the severe strikes and rioting that have accompanied the Argentine program. Kubitschek was particularly adamant in rejecting IMF pressure for an end to import subsidies for petroleum and wheat, Brazil's two most costly imports. Price rises resulting from earlier modifications in these subsidies caused serious riots last fall.)

(Brazil will face serious balance-of-payments difficulties for the next several years as a result of falling coffee prices, payments due on past loans, and the government's insistence on pressing its six-billion-dollar industrial development program in which American private investors already have a \$1.3 billion stake. Kubitschek has staked his reputation as president on his ability to complete this program before he leaves office in 1961.)

(Seeking new markets for its surplus coffee and new sources of industrial machinery, Brazil last year signed several important barter agreements with the Soviet bloc and is about to open negotiations with Czechoslovakia for a new long-term trade agreement.)

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The Deputy Under Secretary for Administration

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